Toronto faces flood of people, cash from nervous Hong Kong

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BY DEE GIBNEY

Until the Beijing massacre, there was optimism in Hong Kong that when China reclaimed the British colony in 1997 it would not mean the end of freedom and prosperity.

Now people are lining up to leave.

For Toronto, which has already forged strong links with Hong Kong, this will mean a flood of immigrants and cash.

"There is a speeded-up sense of urgency," says Barney Tzau, manager of Asian business for the Toronto Dominion Bank. "People who were not committed to leaving Hong Kong are now deciding to move.

"Before the crisis, people who had the means to leave were sitting on the fence. China was opening up; things were looking good. The flow of business to Canada was stable as people prepared for 1997 - but overnight the crisis created an escalation of interest in Canada. There was a flash increase in the deposits coming over."

Before the Chinese 27th Army gunned down pro-democracy demonstrators in Beijing June 3, Tzau says, "we were only seeing the tip of the iceberg – people coming to Canada with half a million to invest – that was only a fraction of what is there.

"These people were buying a house, establishing a base, but continuing business in Hong Kong. But there were still assets to be liquidated and the upheaval in China has escalated that flow. Investment in Hong Kong will definitely slow down."

James Klotz, a Toronto-based international commercial lawyer who advises clients doing business in China and Hong Kong, says he had been predicting "cataclysmic changes" for two years.

"You can swing the pendulum only so far in one direction before it comes swinging back. Things were just happening too fast. And there were too many inconsistencies – farmers selling stuff on the free market who could afford luxuries like fridges while factory workers on government-fixed wages worked five years to buy the same thing.

"People saw the leaders in their Mercedes and they saw plum jobs going to their families. There was so much exposure to the West and so much growth and so much change . . . while at the same time, great numbers of people were getting left behind. But no one expected that degree of violence."

Klotz has studied the draft of the new constitution which sets out the terms by which Hong Kong will be governed for the next 50 years after Britain hands it back to China on June 30, 1997.

"The basic law is weak," he says. "Constitutionally, they say that the people of Hong Kong will have all the rights and freedoms they want – but China has the last say."

Beijing's stated plan for Hong Kong is a "one country, two systems" arrangement that seemed to promise the security of Hong Kong's free-market structure.

In recent years, many senior political and business people in Hong Kong were growing more confident that China would let Hong Kong do what it does best. Make money.

Hong Kong is probably the world's freest market, with no import or export duties on goods. Britain's style of governing has been laissez-faire.

With the advent of Chinese rule, Hong Kong will move from a non-interventionist government to one that is used to controlling everything – from the fixing of prices, quotas and wages to the number of children a family may have.

"China has no experience running a place like Hong Kong and the likelihood of them meddling is high," Klotz says.

Frank Chow, president of Goldyear Realty in Toronto, says he has seen "a big surge of panic money coming out of Hong Kong.

"We really thought China was changing," says Chow. "In a way we were blind. I do not think the older generation believed it, but the young people were so optimistic. Many of us thought, 'This time it's good, the changes are real.'

"But the Chinese government blew it all away. Hong Kong will never be the same again."

Chow says that earlier this month he saw a marked acceleration in the purchase of properties in Toronto by Hong Kong interests.

Brian Smith of the Bank of Montreal says that in the week following the Beijing massacre "we had a lot of questions about Canada's business immigrant program from people in Hong Kong.

"Half the money leaving Hong Kong in the past two years has gone to Canada, with another 25 per cent going to Australia and the rest dispersed to other countries.

"We are now getting a lot of calls from smaller investors. They want to know how to go about becoming a Canadian citizen. The larger investors had already started to make plans."

The Canadian Imperial Bank of Commerce has seen not only existing customers wanting to move their money out of Hong Kong, but has also had an influx of new depositors opening accounts in order to transfer their money out of Hong Kong.

"There is definite interest in Canada," says CIBC spokesman Dan Maceluch, "and that interest has speeded up because of events in China."

Philip Allanson, president of the Hong Kong Canada Business Association, says that the people in Hong Kong who have been saying, "We survived upheavals in the past. We're important to China. They need us as an entrepoôt so they will adapt to the Hong Kong way of doing things," are now hedging their bets by making sure they have a foreign passport and outside investments to fall back on.

"The argument that China would never damage Hong Kong because it's against their interests to do so now no longer holds, because politics take precedence over economics," he says. "If they can do what they did to their own people in China – which will cause far- reaching damage to the country – they can certainly do the same to Hong Kong."